U.S. DOL Methodology to Estimate Improper Payments for Hurricanes and Wildfires of 2017 Disaster Recovery National Dislocated Worker Grants – Statistically Significant 2020 Census Measurement Plan Revision

In the Bipartisan Budget Act of 2018 (P.L. 115-123), Congress appropriated $100 million, of which $99.5 million is available for obligation, for National Dislocated Worker Grants (NDWGs) for states impacted by Hurricanes Harvey, Maria, and Irma and those jurisdictions impacted by wildfires in 2017. To date, the Department of Labor's (Department, or DOL) Employment and Training Administration (ETA) has obligated $57.5 million in NDWGs to California, Florida, Georgia, Massachusetts, New York, Puerto Rico, and Virgin Islands for continuing cleanup and recovery efforts. Per division B of Public Law 115-123, division B of Public Law 115-56, and division A of Public Law 115-72, all programs and activities expending more than $10 million in any one fiscal year (FY) funds appropriated for disaster relief shall be deemed to be "susceptible to significant improper payments" for purposes of the Improper Payments Information Act of 2002 (31 U.S.C. 3321 note), notwithstanding section 2(a) of such Act. Programs or activities susceptible to significant improper payments (IP) shall produce and report an IP estimate starting with the FY 2019 reporting period, to the extent possible.

ETA will extend its Improper Payments Information Act analysis to include reporting in the Agency Financial Report (AFR) supplemental funds awarded for Hurricanes and Wildfires of 2017 Disaster Recovery NDWGs.

Office of Management and Budget (OMB) M-18-14, indicates "*Agencies must use a risk-based approach to design and implement financial and administrative controls to identify and mitigate fraud risks. In assessing risk in disaster situations, agencies should leverage their existing enterprise risk management processes, including assessments that contributed to the development of initial risk profiles*" (p.2). ETA risk assessments and internal control plans indicate that these grants programs have strong internal controls and are at low risk. OMB M-18-14 also indicates, "*Whenever possible, agencies should leverage resources already devoted to improper payment related activities*" (p.2). Toward that end, ETA's Methodology to Estimate Improper Payments for Hurricanes and Wildfires of 2017 shall be materially identical to the non-statistical Workforce Investment Act (WIA) and Hurricane Sandy Disaster Grants IP estimation methodologies previously approved by OMB and reported in the Department's AFR through FY 2016. Per the Department's FY 2015 AFR, this methodology was developed in collaboration with our Office of the Inspector General (OIG) to minimize risk of waste, fraud, and abuse of recovery funds.

Methodology Overview:

States receiving Disaster Recovery NDWG awards typically pass the funding to sub-recipients (often local workforce boards), who then hire dislocated or long-term unemployed workers to perform disaster cleanup activities. States are required to identify these sub-recipients within the submission of the project's full budget and implementation plan 60 days following the receipt of a Disaster Recovery NDWG award. The Office of Grants Management maintains this information in the official grant file and can provide sub-recipient names for applicable projects upon request.

Grantees must submit reports to the Federal Audit Clearinghouse within nine months of the end of their fiscal year, which may not correspond with the Federal fiscal year. Due to this data lag, ETA will conduct a census measurement plan analysis of all Single Audit findings associated with recipients or sub-recipients receiving subject Disaster Recovery NDWG and calculate the IP rate for FY 2019 in FY 2020. Subsequent year reporting will be reported in an identical manner with the same lag for as long as required and appropriate. The Department will continue to review current Disaster Grants to ensure the most accurate and timely information is provided in the AFR.

To estimate the IP rate for reporting, ETA will:

- Analyze all Single Audit findings for impacted states for CFDA Numbers 17.286 (Hurricanes and Wildfires Supplemental) and 17.277 (National Dislocated Worker Grants).
- Analyze those sub-recipients for any Single Audit Findings in the above CFDAs.
- Include a qualitative analysis of any DOL OIG or state auditor reports with Disaster Recovery NDWG items and identify any questioned costs.
- Calculate the estimated rate based on extrapolation of the census of questioned costs related to any findings (identical to how ETA calculated the WIA and Hurricane Sandy Disaster Grant IP rates, excepting that this will be a census measurement plan analysis of subject NDWGs).